

**ENGADINE CONSOLIDATED SCHOOLS**

**ENGADINE, MICHIGAN**

**JUNE 30, 2006**

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE,  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

August 2, 2006

### INDEPENDENT AUDITORS' REPORT

Board of Education  
Engadine Consolidated Schools  
Engadine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, Engadine, Michigan as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Engadine Consolidated School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, Engadine, Michigan as of June 30, 2006 and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2006, on our consideration of Engadine Consolidated Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Engadine Consolidated Schools, Engadine, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. The combining and individual fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

Engadine Consolidated Schools, a K-12 school district located in Mackinac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Engadine Consolidated Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006 along with specific comparative information is required.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-Wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2006:

	2005-2006 Fiscal Year	2004-2005 Fiscal Year
<b>Assets</b>		
Current Assets	\$ 790,187	\$ 819,635
Non Current Assets		
Capital Assets	4,305,608	4,283,480
Less Accumulated Depreciation	(1,914,143)	(1,740,446)
Deferred Charges - Net of Accumulated Amortization	38,226	42,513
Total Non Current Assets	2,429,691	2,585,547
Total Assets	\$ 3,219,878	\$ 3,405,182
<b>Liabilities</b>		
Current Liabilities	\$ 442,793	\$ 412,187
Non Current Liabilities	1,406,489	1,569,105
Total Liabilities	1,849,282	1,981,292
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	1,061,465	1,088,034
Restricted for Debt Service	37,758	26,975
Unrestricted	271,373	308,881
Total Net Assets	1,370,596	1,423,890
Total Liabilities and Net Assets	\$ 3,219,878	\$ 3,405,182

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2006, the District's net assets decreased by \$53,294. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$173,698 was recorded for depreciation expense.

## **2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2006, \$22,128 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease in capital assets in the amount of \$151,570 for the fiscal year ended June 30, 2006.

## **E. Results of Operations**

For the fiscal year ended June 30, 2006, the results of operations, on a District-wide basis were:

	2006		2005	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 1,853,949	63.2%	\$ 1,715,415	59.8%
Investment Earnings	21,869	0.7%	16,666	0.6%
State Sources	350,013	11.9%	535,955	18.7%
Other	14,730	0.5%	27,547	1.0%
Total General Revenues	2,240,561	76.3%	2,295,583	80.1%
<b>Program Revenues</b>				
Charges for Services	89,461	3.0%	81,338	2.8%
Operating Grants	604,552	20.7%	491,642	17.1%
Total Program Revenues	694,013	23.7%	572,980	19.9%
Total Revenues	2,934,574	100.0%	2,868,563	100.0%
<b>Expenses</b>				
Instruction	1,394,638	46.8%	1,494,203	51.9%
Supporting Services	1,175,802	39.3%	940,955	32.8%
Food Service Activities	112,124	3.8%	129,325	4.5%
Athletic Activities	69,403	2.3%	67,627	2.4%
Community Services	1,000	0.0%	0	0.0%
Interest on Long-Term Debt	48,432	1.6%	50,849	1.8%
Other Transactions	8,484	0.3%	24,613	0.9%
Unallocated Amortization	4,287	0.1%	4,287	0.1%
Unallocated Depreciation	173,698	5.8%	161,159	5.6%
Total Expenses	2,987,868	100.0%	2,873,018	100.0%
Change in Net Assets	\$ (53,294)		\$ (4,455)	



**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the District levied \$1,684,868 in non-homestead property taxes. This represented an increase of 9.04% from the prior year. The amount of unpaid property taxes at June 30, 2006, was \$ 11,240.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	(Decrease) from Prior Year
2005-2006	1,684,868	9.04%
2004-2005	1,545,219	4.16%
2003-2004	1,483,559	2.57%
2002-2003	1,446,433	5.39%
2001-2002	1,372,510	6.77%

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of a three year average of 75% of the September 2005 and 2004 count and 25% of the February 2005 and 2004 count as well as 80% of the September 2003 count and 20% of the February and 2003 count. For the 2005-2006 fiscal year, the District received a base foundation allowance of \$7,544 per student FTE. This amounted to a \$175 per student increase over the amount received for the 2004-2005 fiscal year.

**3. Student Enrollment**

The following schedule summarizes the blended general education student enrollment for the past five years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2005-2006	253	(19)
2004-2005	272	(14)
2003-2004	286	(6)
2002-2003	292	1
2001-2002	291	(10)

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state, and other grants accounted for \$ 604,552. This represents an increase over the total grant sources of \$491,642 received for the 2004-2005 fiscal year.

**5. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2005-2006 Fiscal Year	2004-2005 Fiscal Year	Increase (Decrease)
Instruction	\$ 1,412,830	\$ 1,551,353	\$ (138,523)
Supporting Services	1,189,369	964,371	224,998
Food Service Activities	111,629	129,009	(17,380)
Athletic Activities	69,403	67,627	1,776
Community Services	1,000	0	1,000
Debt Service	173,850	171,250	2,600
Other Transactions	8,333	12,682	(4,349)
Total Expenditures	\$ 2,966,414	\$ 2,896,292	\$ 70,122

A comparison of expenditures by fund is as follows:

Expenditures	2005-2006 Fiscal Year	2004-2005 Fiscal Year	Increase (Decrease)
General Fund	\$ 2,610,794	\$ 2,525,295	\$ 85,499
Food Service Fund	111,629	129,009	(17,380)
Athletic Activities Fund	69,403	67,627	1,776
Debt Service Funds	174,588	174,358	230
Capital Projects Fund	0	3	(3)
Total Expenditures	\$ 2,966,414	\$ 2,896,292	\$ 70,122

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2005-2006 fiscal year, the District amended the general fund budget two times, with the Board adopting the changes in January 2006 and June 2006. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Total Revenues	\$ 2,616,036	\$ 2,618,500	\$ 2,608,991	\$ (9,509)
<b>EXPENDITURES</b>				
Instruction	\$ 1,476,649	\$ 1,426,155	\$ 1,412,830	\$ (13,325)
Supporting Services	1,172,053	1,191,962	1,190,369	(1,593)
Other Transactions	27,725	8,925	7,595	(1,330)
Total Expenditures	\$ 2,676,427	\$ 2,627,042	\$ 2,610,794	\$ (16,248)

The original revenue budget of \$2.616 million was increased to \$2.618 million primarily as a result of changes in local, state and federal funding during the year.

The total revenues variance of \$9,509 is less than 1% of total budgeted revenues and the total expenditures variance of \$16,248 is less than 1 % of the total General Fund expenditures for the year.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

By the end of the 2005-2006 fiscal year, the District had invested over \$4.305 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$22,000 over the prior fiscal year. The majority of the new capital assets were funded through a variety of grants received during the year. Depreciation expense for the year amounted to \$173,698, bringing the accumulation to \$1.914 million as of June 30, 2006.

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

## **2. Long-Term Debt**

At June 30, 2006, the District had \$1,330,000 in bonded debt outstanding. This represents a reduction of \$125,000 over the amount outstanding at the close of the prior fiscal year. No new debt was issued in the 2005-2006 fiscal year.

### **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2006-2007 and 2007-2008 fiscal years. The early indication is that the foundation allowance will include a modest increase in the 2006-2007 fiscal year. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. The state retirement rate increased in 2005-06 from 14.87% to 16.34%, with an expected increase of 1.40% in 2006-07. Also, the number of statewide retirements projected to occur over the next few years may result in higher annual increases.
- The contracts with the Engadine Education Association, Northern Michigan Education Association of Engadine and the Michigan Education Association, the unions that represent the teaching staff and support staff, expired at the end of the 2005-06 school year. Negotiations on the new contracts have begun.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of a student's achievement will all need to be funded by the district. Engadine Consolidated Schools has met Adequate Yearly Progress.
- On the positive side, Engadine Consolidated Schools has continued to improve the educational program of the District. All teachers on staff are highly qualified. The curriculum is aligned with state standards and benchmarks. Through federal grants such as Title IIA, the District has reduced the class size of the Kindergarten program to improve instruction one-on-one. Engadine Elementary School was one of three schools in the Upper Peninsula of Michigan to receive a Reading First Grant. The staff has seen great results in literacy achievement in grades K-3 as a result. High school students have the opportunity to take a variety of class offerings through Michigan Virtual High School and dual-enrollment classes at Bay College.

The District continues to update technology. Replacement workstations have been installed in accordance to our Technology Plan. Wireless laptops and carts are utilized in many grade levels, from second grade through high school. With Freedom to Learn grant funding, the District purchased laptops for all sixth and seventh graders. Students in fourth grade use Palm Pilots.

**Engadine Consolidated Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**

- As staff members near retirement, the District has implemented the Bencor Special Pay Plan. This non-elective program allows the district and the employee to save FICA taxes, and defer federal taxes on all termination pay. This includes any retirement incentive payments, sick leave payments, and any other termination pay. The district has recognized savings through this program in the 2005-2006 fiscal year. Due to retirements of staff, the district has also recognized long-term savings by re-configuring administrative positions for the 2006-07 school year.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Administrator, Engadine Consolidated Schools, W13920 Melville Street, Engadine, Michigan 49827.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	567,004
Taxes Receivable		13,064
Accounts Receivable		4,900
Inventories		2,597
Due From Other Governmental Units		202,622
Total Current Assets		<u>790,187</u>

NON CURRENT ASSETS

Capital Assets		4,305,608
Less Accumulated Depreciation		(1,914,143)
Deferred Charges - Net of Accumulated Amortization		38,226
Total Non Current Assets		<u>2,429,691</u>
TOTAL ASSETS	\$	<u><u>3,219,878</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	96,660
Accrued Interest Payable		7,746
Salaries Payable		172,915
Due to Other Governmental Units		5,189
Deferred Revenue		5,320
Current Portion of Non Current Liabilities		154,963
Total Current Liabilities		<u>442,793</u>

NON CURRENT LIABILITIES

Bonds Payable		1,330,000
Compensated Absences		231,452
Less Current Portion of Non Current Liabilities		(154,963)
Total Non Current Liabilities		<u>1,406,489</u>
Total Liabilities		<u><u>1,849,282</u></u>

NET ASSETS

Invested in Capital Assets Net of Related Debt		1,061,465
Restricted for Debt Service		37,758
Unrestricted		271,373
Total Net Assets		<u>1,370,596</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>3,219,878</u></u>

The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLSENGADINE, MICHIGANSTATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
				SERVICES
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 981,807	\$ 1,261	\$ 30,250	\$ (950,296)
Added Needs	412,831	0	285,293	(127,538)
Supporting Services				
Pupil	42,778	0	0	(42,778)
Instructional Staff	248,695	0	215,499	(33,196)
General Administration	185,365	0	0	(185,365)
School Administration	93,227	0	0	(93,227)
Business	75,057	0	0	(75,057)
Operation and Maintenance of Plant	268,537	0	0	(268,537)
Pupil Transportation Services	212,474	0	0	(212,474)
Central Services	49,669	0	6,106	(43,563)
Community Services	1,000	0	1,000	0
Food Service Activities	112,124	58,938	61,971	8,785
Athletic Activities	69,403	29,262	4,433	(35,708)
Interest on Long Term Debt	48,432	0	0	(48,432)
Other Transactions	8,484	0	0	(8,484)
Unallocated Amortization	4,287	0	0	(4,287)
Unallocated Depreciation	173,698	0	0	(173,698)
Total Governmental Activities	\$ 2,987,868	\$ 89,461	\$ 604,552	(2,293,855)
<u>GENERAL REVENUES</u>				
Property Taxes -General Purposes				1,685,720
Property Taxes -Debt Service				168,229
Investment Earnings				21,869
State Sources				350,013
Other				14,730
Total General Revenues				2,240,561
Change in Net Assets				(53,294)
NET ASSETS - Beginning of Year				1,423,890
NET ASSETS - End of Year				\$ 1,370,596

The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 486,341	\$ 80,663	\$ 567,004
Taxes Receivable	11,240	1,824	13,064
Accounts Receivable	4,799	101	4,900
Due From Other Funds	8,817	4,052	12,869
Inventory	0	2,597	2,597
Due From Other Governmental Units	202,622	0	202,622
TOTAL ASSETS	\$ 713,819	\$ 89,237	\$ 803,056
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 96,653	\$ 7	\$ 96,660
Salaries Payable	166,605	6,310	172,915
Due to Other Funds	4,052	8,817	12,869
Due to Other Governmental Units	5,189	0	5,189
Deferred Revenue	16,560	1,824	18,384
Total Liabilities	289,059	16,958	306,017
<u>FUND BALANCES</u>			
Reserved for Inventory	0	2,597	2,597
Reserved for Debt Retirement	0	28,188	28,188
Unreserved, Designated for, Reported in:			
Long-Term Liabilities	159,297	0	159,297
Unreserved, Undesignated Reported in:			
General Fund	265,463	0	265,463
Special Revenue Funds	0	41,494	41,494
Total Fund Balances	424,760	72,279	497,039
TOTAL LIABILITIES AND FUND BALANCES	\$ 713,819	\$ 89,237	\$ 803,056

The notes to the financial statements are an integral part of this statement.



ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances	\$ 497,039
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not  
reported in the funds

The cost of the capital assets is	4,305,608	
Accumulated depreciation is	<u>(1,914,143)</u>	2,391,465

Long term liabilities are not due and payable in the current period and are not  
reported in the funds

Bonds Payable	(1,330,000)
Compensated Absences	(231,452)

Accrued interest is not included as a liability in government funds, it is recorded when paid	(7,746)
--	---------

The issuance of Long-Term Debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net assets. Also, governmental funds report  
the effect of issuance costs, premiums, discounts and similar items when debt is first  
issued, whereas these amounts are deferred and amortized in the statement of  
activities over the life of the Long-Term bond issue.

Bond Issuance Costs	37,756	
Premiums and Discounts on Bonds	12,258	
Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds	<u>(11,788)</u>	38,226

Balance of taxes receivable at June 30, 2006, expected to be collected after September 1, 2006	<u>13,064</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,370,596</u></u>
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The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,725,073	\$ 263,612	\$ 1,988,685
State Sources	491,386	7,189	498,575
Federal Sources	380,124	54,782	434,906
Other Transactions	12,408	0	12,408
Total Revenues	2,608,991	325,583	2,934,574
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	993,961	0	993,961
Added Needs	418,869	0	418,869
Supporting Services			
Pupil	42,778	0	42,778
Instructional Staff	248,291	0	248,291
General Administration	186,461	0	186,461
School Administration	94,496	0	94,496
Business	74,990	0	74,990
Operation and Maintenance	267,488	0	267,488
Pupil Transportation Services	212,919	0	212,919
Central Services	61,946	0	61,946
Community Services	1,000	0	1,000
Food Service Activities	0	111,629	111,629
Athletic Activities	0	69,403	69,403
Debt Service			
Principal	0	125,000	125,000
Interest	0	48,850	48,850
Other Transactions	7,595	738	8,333
Total Expenditures	2,610,794	355,620	2,966,414
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,803)	(30,037)	(31,840)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	43,000	43,000
Transfers Out	(43,000)	0	(43,000)
Total Other Financing Sources (Uses)	(43,000)	43,000	0
Net Change in Fund Balance	(44,803)	12,963	(31,840)
FUND BALANCE - Beginning of Year	469,563	59,316	528,879
FUND BALANCE - End of Year	\$ 424,760	\$ 72,279	\$ 497,039

The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds	\$ (31,840)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(173,698)
Capital Outlay	22,128

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	8,164
Accrued Interest Payable - End of Year	(7,746)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	125,000
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred Revenue - Beginning of Year	(13,215)
Deferred Revenue - End of Year	13,064

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the Long-Term bond issue.

Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds	(4,287)
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Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Early Retirement - Beginning of Year	188,386
Early Retirement - End of Year	(175,480)
Compensated Absences - Beginning of Year	52,202
Compensated Absences - End of Year	(55,972)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (53,294)</u>
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The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
Cash and Cash Equivalents	\$ <u>121,457</u>	\$ <u>51,838</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ <u>0</u>	\$ <u>51,838</u>
<u>NET ASSETS</u>		
Reserved for		
Endowments	118,607	0
Scholarships	1,961	0
Unreserved	<u>889</u>	<u>0</u>
Total Net Assets	<u>121,457</u>	<u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>121,457</u>	 \$ <u>51,838</u>

The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 3,782
<u>DEDUCTIONS</u>	
Payment of Scholarships	3,100
Payment to Foundation of Educational Excellence	<u>34,961</u>
Total Deductions	38,061
Changes in Net Assets	(34,279)
NET ASSETS - Beginning of Year	<u>155,736</u>
NET ASSETS - End of Year	\$ <u><u>121,457</u></u>

The notes to the financial statements are an integral part of this statement.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Engadine Consolidated Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District is located in Mackinac County with its administrative offices located in Engadine, Michigan. The District operates under an elected 7-member board of education and provides services to its 279 students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *DEBT SERVICE FUND* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Fiduciary Funds**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

# ENGADINE CONSOLIDATED SCHOOLS

## ENGADINE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The *PRIVATE PURPOSE TRUST FUND* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where the principal is considered to be either expendable or non-expendable and the earnings may be spent. These funds are not reported on the District financial statements as they are not used to support District operations or programs. The District currently accounts for three separate non-expendable trust funds and one expendable trust fund.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

#### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

##### **Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

##### **Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

##### **State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.



ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on a blended average of pupil membership counts taken in February and September of 2005, 2004 and 2003. For fiscal year ended June 30, 2006, the per pupil foundation allowance was \$7,544 for Engadine Consolidated Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

- (h) Investment pools, as authorized by the Surplus Funds Investment Poll Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are deferred in the governmental fund financial statements as are not expected to be collected within 60 days of the end of the current fiscal period.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	18.0000
2003 Debt Service Fund – Homestead and non-homestead	1.3000

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000 for technology capital assets and \$5,000 for all other capital assets.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance and Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 20, 2005, or as amended by the School Board of Education on January 9, 2006 and June 12, 2006.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations for the year ending June 30, 2006 were as follows:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
Support Services			
Pupil	40,867	42,778	1,911
School Administration	94,445	94,496	51
Operation and Maintenance	266,792	267,488	696
Pupil Transportation Services	211,957	212,919	962

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are all on deposit with banks located in the State of Michigan.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$335,388 of the government's bank balance of \$846,487 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor And Other Funds	Total
Receivables			
Taxes	\$ 11,240	\$ 1,824	\$ 13,064
Accounts	4,799	101	4,900
Other Governmental Units	202,622	0	202,622
Total Receivables	\$ 218,661	\$ 1,925	\$ 220,586

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

	Unavailable	Unearned
Delinquent Property Taxes Receivable-General Fund	\$ 11,240	\$ 0
Delinquent Property Taxes Receivable-Debt Service Funds	1,824	0
Grant Receipts Received, But Not Yet Utilized	0	5,320
Total Deferred/Unearned Revenue for Governmental Funds	\$ 13,064	\$ 5,320

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Other capital assets:				
Land improvements	\$ 140,009	\$ 0	\$ 0	\$ 140,009
Buildings and additions	3,329,080	0	0	3,329,080
Machinery and equipment	383,447	12,277	0	395,724
Textbooks and Library Books	76,573	9,851	0	86,424
Transportation equipment	354,371	0	0	354,371
Subtotal	4,283,480	22,128	0	4,305,608

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Less Accumulated Depreciation				
Land improvements	79,459	9,768	0	89,227
Buildings and additions	1,209,960	71,582	0	1,281,542
Machinery and equipment	175,153	58,273	0	233,426
Textbooks and Library Books	34,524	10,939	0	45,463
Transportation equipment	241,349	23,136	0	264,485
	1,740,445	173,698	0	1,914,143
Net capital assets	\$ 2,543,035	\$ (151,570)	\$ 0	\$ 2,391,465

Depreciation for the fiscal year ended June 30, 2006 amounted to \$173,698. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2006:

	Termination Benefits and Compensated Absences	Bonds	Total
Balance July 1, 2005	\$ 240,587	\$ 1,455,000	\$ 1,695,587
Additions	1,847	0	1,847
Deletions	10,982	125,000	135,982
Balance June 30, 2006	231,452	1,330,000	1,561,452
Less current portion	24,963	130,000	154,963
Total due after one year	\$ 206,489	\$ 1,200,000	\$ 1,406,489

Bonds payable at June 30, 2006 is comprised of the following issues:

2003 Refunding Bonds Due in Annual Installments of \$130,000 to \$155,000  
Through May 1, 2015, Interest at 2.30% to 4.10%

\$ 1,330,000

The annual requirements to amortize debt outstanding as of June 30, 2006, including interest payments of \$259,840 are as follows:



ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Year ending June 30,	Principal	Interest	Amounts Payable
2007	\$ 130,000	\$ 46,350	\$ 176,350
2008	130,000	43,360	173,360
2009	140,000	39,850	179,850
2010	145,000	35,650	180,650
2011	150,000	30,720	180,720
2012-2015	635,000	63,910	698,910
	1,330,000	259,840	1,589,840
Compensated absences and termination benefits	231,452	0	231,452
	\$ 1,561,452	\$ 259,840	\$ 1,821,292

The annual requirements to amortize the accrued sick leave is uncertain because it is unknown when the employees will use the sick leave.

**E. Short-Term Debt**

The following is a summary of governmental short-term obligations for the District for the year ended June 30, 2006:

	Total
Balance July 1, 2005	\$ 0
Additions	200,000
Deletions	200,000
Balance June 30, 2006	\$ 0

Short-term debt for the year ended June 30, 2006 was comprised of a \$200,000 Tax Anticipation note due March 17, 2006 at an annual interest rate of 3.23%. Total interest expense was \$2,423. The note was issued to provide for short-term cash flow needs.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2006, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 8,817	\$ 4,052
School Service Fund – Food Service Fund	4,052	0
School Service Fund – Athletic Activities Fund	0	8,817
	\$ 12,869	\$ 12,869

The outstanding balances between funds result mainly from the time lag between the dates that (1)interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2006, were:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 43,000
School Service Fund – Athletic Activities	43,000	0
	\$ 43,000	\$ 43,000

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**G. Designated and Reserved Fund Balance**

The School has designated the General Fund balance as follows:

1. Long-Term Liabilities

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of sick pay and/or early retirement. Upon retirement or termination, if the employee has met certain contract provisions, the liability will mature. At June 30, 2006, the liability to the employees for accumulated sick leave and/or early retirement and related fringe benefits is estimated at \$55,972. As of June 30, 2006, the School has designated \$55,972 of its General Fund balance towards paying this future long-term obligation.

The District also has employees who have qualified under the current contract to receive an early retirement incentive. The District currently has three former employees who have exercised this incentive. The District has designated \$103,325 of the General Fund balance for this obligation.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The annual requirements to amortize the debt outstanding on this obligation as of June 30, 2006, are as follows:

<u>Year ending June 30,</u>		
2007	\$	24,963
2008		22,636
2009		20,606
2010		18,575
2011		<u>16,545</u>
	\$	<u><u>103,325</u></u>

The District has included a total future estimated obligation of \$175,480 for all current eligible employees and former employees as a long-term liability of the District. The District has adopted an employer tax deferred 403(b) plan to receive the aforementioned liabilities when matured. The District has opted not to pre-fund any of this obligation as of June 30, 2006.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87% from July 1 2005 to September 30, 2005 and 16.34% from October 1 2005 to June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$231,548, \$213,885 and \$193,210, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Single Audit Report**

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. At June 30, 2006, the School District's expenditures for federally funded programs was less than \$500,000 and therefore, the District is not required to have a "Single Audit for the fiscal year ended June 30, 2006.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**E. Lease Information**

The rental expense for the year ended June 30, 2006 was \$13,971.

The rental expense consists of lease agreements on copiers and a postage meter. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>AMOUNTS</u>
2007	\$ 18,140
2008	13,200
2009	<u>6,300</u>
	<u>\$ 37,640</u>

ENGADINE CONSOLIDATED SCHOOLSENGADINE, MICHIGANREQUIRED SUPPLEMENTARY INFORMATIONBUDGETARY COMPARISON SCHEDULEGENERAL FUNDYEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET OVER (UNDER)
<u>REVENUES</u>				
Local Sources	\$ 1,672,242	\$ 1,723,812	\$ 1,725,073	\$ 1,261
State Sources	532,936	491,299	491,386	87
Federal Sources	407,358	389,518	380,124	(9,394)
Other Transactions	3,500	13,871	12,408	(1,463)
Total Revenues	<u>2,616,036</u>	<u>2,618,500</u>	<u>2,608,991</u>	<u>(9,509)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	1,002,386	1,001,421	993,961	(7,460)
Added Needs	474,263	424,734	418,869	(5,865)
Supporting Services				
Pupil	19,902	40,867	42,778	1,911
Instructional Staff	330,416	250,685	248,291	(2,394)
General Administration	181,755	187,389	186,461	(928)
School Administration	100,217	94,445	94,496	51
Business	77,567	76,444	74,990	(1,454)
Operation and Maintenance	258,612	266,792	267,488	696
Pupil Transportation Services	202,884	211,957	212,919	962
Central Services	700	62,383	61,946	(437)
Community Services	0	1,000	1,000	0
Other Transactions	27,725	8,925	7,595	(1,330)
Total Expenditures	<u>2,676,427</u>	<u>2,627,042</u>	<u>2,610,794</u>	<u>(16,248)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,391)</u>	<u>(8,542)</u>	<u>(1,803)</u>	<u>6,739</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>(43,000)</u>	<u>(43,000)</u>	<u>(43,000)</u>	<u>0</u>
Net Change in Fund Balance	(103,391)	(51,542)	(44,803)	6,739
FUND BALANCE - Beginning of Year	<u>445,073</u>	<u>469,563</u>	<u>469,563</u>	<u>0</u>
FUND BALANCE - End of Year	<u>\$ 341,682</u>	<u>\$ 418,021</u>	<u>\$ 424,760</u>	<u>\$ 6,739</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 52,475	\$ 28,188	\$ 80,663
Taxes Receivable	0	1,824	1,824
Accounts Receivable	101	0	101
Due From Other Funds	4,052	0	4,052
Inventory	2,597	0	2,597
TOTAL ASSETS	<u>\$ 59,225</u>	<u>\$ 30,012</u>	<u>\$ 89,237</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 7	\$ 0	\$ 7
Due to Other Funds	8,817	0	8,817
Salaries Payable	6,310	0	6,310
Deferred Revenue	0	1,824	1,824
Total Liabilities	<u>15,134</u>	<u>1,824</u>	<u>16,958</u>
<u>FUND BALANCES</u>			
Reserved for Inventory	2,597	0	2,597
Reserved for Debt Retirement	0	28,188	28,188
Unreserved, Undesignated	41,494	0	41,494
Total Fund Balances	<u>44,091</u>	<u>28,188</u>	<u>72,279</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,225</u>	<u>\$ 30,012</u>	<u>\$ 89,237</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 94,092	\$ 169,520	\$ 263,612
State Sources	7,189	0	7,189
Federal Sources	54,782	0	54,782
Total Revenues	156,063	169,520	325,583
<u>EXPENDITURES</u>			
Food Service Activities	111,629	0	111,629
Athletic Activities	69,403	0	69,403
Debt Service			
Principal	0	125,000	125,000
Interest	0	48,850	48,850
Other Transactions	0	738	738
Total Expenditures	181,032	174,588	355,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,969)	(5,068)	(30,037)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	43,000	0	43,000
Net Change in Fund Balance	18,031	(5,068)	12,963
FUND BALANCE - Beginning of Year	26,060	33,256	59,316
FUND BALANCE - End of Year	\$ 44,091	\$ 28,188	\$ 72,279



ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 486,341	\$ 590,912
Taxes Receivable	11,240	11,332
Accounts Receivable	4,799	4,703
Due from Other Funds	8,817	0
Due from Other Governmental Units	202,622	153,292
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>713,819</u>	\$ <u>760,239</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 96,653	\$ 95,001
Salaries Payable	166,605	157,881
Due to Other Funds	4,052	12,082
Due to Other Governmental Units	5,189	8,498
Deferred Revenue	16,560	17,214
	<hr/>	<hr/>
Total Liabilities	289,059	290,676
 <u>FUND BALANCE</u>		
Unreserved		
Designated for Long-Term Liabilities	159,297	53,684
Undesignated	265,463	415,879
	<hr/>	<hr/>
Total Fund Balance	424,760	469,563
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>713,819</u>	\$ <u>760,239</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources	\$ 1,725,073	\$ 1,595,861
State Sources	491,386	687,650
Federal Sources	380,124	270,157
Other Transactions	12,408	7,708
	<hr/>	<hr/>
Total Revenues	2,608,991	2,561,376
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	467,503	549,147
High School	526,458	597,575
Added Needs		
Special Education	253,789	173,751
Compensatory Education	135,588	193,978
Indian Education	29,492	36,102
Gifted and Talented	0	800
Supporting Services		
Pupil		
Guidance Services	0	18,887
Health Services	4,721	160
Speech Pathology and Audiology Services	20,154	15,214
Other Pupil Services	17,903	18,499
Instructional Staff		
Improvement of Instruction	195,135	5,122
Educational Media Services	25,833	25,205
Educational Television	22,125	23,784
Supervision and Direction	5,198	5,051
General Administration		
Board of Education	27,694	22,622
Executive Administration	158,767	147,583
School Administration		
Office of the Principal	94,496	95,643

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
Business		
Fiscal Services	64,093	72,388
Other Business Services	10,897	13,544
Operation and Maintenance	267,488	257,103
Pupil Transportation Services	212,919	184,468
Central Services		
Staff/Personnel Services	4,283	756
Support Services Technology	57,663	58,342
Community Services		
Other Community Services	1,000	0
Other Transactions		
Transfers to Other School Districts	7,595	6,042
Adjustments of Prior Year Accounts	0	3,529
Total Expenditures	<u>2,610,794</u>	<u>2,525,295</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(1,803)	36,081
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>(43,000)</u>	<u>(48,000)</u>
Net Change in Fund Balance	(44,803)	(11,919)
FUND BALANCE - Beginning of Year	<u>469,563</u>	<u>481,482</u>
FUND BALANCE - End of Year	\$ <u><u>424,760</u></u>	\$ <u><u>469,563</u></u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LOCAL SOURCES</u>			
Property Taxes			
Current Levy	\$ 1,684,678	\$ 1,684,868	\$ 1,545,219
Prior Years Collections	0	852	11,635
Earnings on Investments and Deposits	20,000	19,771	14,430
Other Local Revenues			
Insurance Dividend	4,500	4,500	4,500
Youth Programming-Sault	5,504	5,504	4,911
USF Reimbursements	2,630	2,629	6,584
Miscellaneous	6,500	6,949	8,582
Total Local Sources	<u>1,723,812</u>	<u>1,725,073</u>	<u>1,595,861</u>
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance			
Obligation	0	0	177,436
Discretionary	385,372	350,013	395,505
Special Education	49,713	85,159	40,396
At Risk	51,895	51,895	62,446
Advanced and Accelerated Learning	0	0	41
Transfers from Other School Districts			
Intermediate School District			
Eastern Upper Peninsula I.S.D.			
Special Education Program Cost	4,319	4,319	11,826
Total State Sources	<u>491,299</u>	<u>491,386</u>	<u>687,650</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted			
Received Through the State			
Title I			
Current	69,277	64,917	83,502
Prior	1,360	1,360	0

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Title IIA - Improving Teacher Quality	21,254	21,254	22,366
Title IID - Technology Literacy Challenge	1,406	1,406	2,122
Title V - LEA Allocation	1,622	1,622	3,459
Homeland Security	0	0	1,369
Reading First	215,000	213,329	698
Handicapped Preschool and School Program	3,240	3,240	0
Received Through Intermediate School District			
Title VI B Flowthrough	33,000	33,000	34,782
21st Century Community Learning Center			
Current	0	0	27,023
Freedom to Learn	5,000	4,159	45,500
Received from U.S. Department of Education			
Rural Education Achievement Program			
Current	14,372	11,850	16,221
Prior	0	0	1,924
Title VII - Indian Education			
Current	23,987	23,987	28,090
Prior	0	0	3,101
	<u>389,518</u>	<u>380,124</u>	<u>270,157</u>

OTHER TRANSACTIONS

Transfers from Other School Districts

Intermediate School District

Eastern Upper Peninsula I.S.D.

Professional Development	12,000	10,526	869
School Improvement	621	621	0
Medicaid School Based Services	1,250	1,261	271
USF Transfers	0	0	6,568

Total Other Transactions	<u>13,871</u>	<u>12,408</u>	<u>7,708</u>
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TOTAL REVENUES	\$ <u>2,618,500</u>	\$ <u>2,608,991</u>	\$ <u>2,561,376</u>
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ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 293,118	\$ 289,801	\$ 352,528
Employee Benefits	150,666	150,661	164,073
Supplies and Materials	25,295	27,041	12,546
Capital Outlay	685	0	20,000
Total Elementary	<u>469,764</u>	<u>467,503</u>	<u>549,147</u>
<u>High School</u>			
Salaries	339,981	335,880	369,662
Employee Benefits	173,576	172,075	185,739
Supplies and Materials	17,100	18,503	16,674
Capital Outlay	1,000	0	25,500
Total High School	<u>531,657</u>	<u>526,458</u>	<u>597,575</u>
<u>Added Needs</u>			
<u>Special Education</u>			
Salaries	147,447	146,993	98,929
Employee Benefits	107,788	105,990	72,828
Purchased Services	1,031	418	0
Supplies and Materials	389	388	1,865
Other Expense	0	0	129
Total Special Education	<u>256,655</u>	<u>253,789</u>	<u>173,751</u>
<u>Compensatory Education - Title I</u>			
Salaries	26,190	23,190	56,027
Employee Benefits	25,603	25,603	19,582
Purchased Services	12,915	12,915	6,079
Supplies and Materials	731	731	454
Total Compensatory Educ.-Title I	<u>65,439</u>	<u>62,439</u>	<u>82,142</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Compensatory Education - At Risk</u>			
Salaries	26,919	26,919	34,836
Employee Benefits	24,496	24,614	27,610
Purchased Services	480	362	0
Total Compensatory Educ.-At-Risk	51,895	51,895	62,446
<u>Compensatory Education - Class Size Reduction</u>			
Salaries	17,300	17,300	18,131
Employee Benefits	3,954	3,954	4,235
Total Compensatory Educ.-CSR	21,254	21,254	22,366
<u>Compensatory Education - 21st Century</u>			
Salaries	0	0	14,105
Employee Benefits	0	0	2,806
Purchased Services	0	0	1,007
Supplies and Materials	0	0	9,106
Total Compensatory Educ.-21st Century	0	0	27,024
Total Compensatory Education	138,588	135,588	193,978
<u>Indian Education</u>			
Salaries	14,290	14,290	12,378
Employee Benefits	3,813	3,813	4,915
Purchased Services	500	500	478
Supplies and Materials	10,888	10,889	18,331
Total Indian Education	29,491	29,492	36,102
<u>Gifted and Talented</u>			
Salaries	0	0	537
Employee Benefits	0	0	217
Purchased Services	0	0	46
Total Gifted and Talented	0	0	800

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>SUPPORTING SERVICES</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	0	0	10,975
Employee Benefits	0	0	7,727
Supplies and Materials	0	0	185
Total Guidance Services	0	0	18,887
<u>Health Services</u>			
Purchased Services	4,850	4,721	160
<u>Speech Pathology and Audiology Services</u>			
Purchased Services	18,000	20,154	15,214
<u>Other Pupil Services</u>			
Salaries	11,090	11,049	10,767
Employee Benefits	2,670	2,661	2,436
Purchased Services	1,107	1,107	1,801
Other Expense	3,150	3,086	3,495
Total Other Pupil Services	18,017	17,903	18,499
<u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Salaries	131,663	129,425	2,810
Employee Benefits	60,178	59,485	632
Purchased Services	6,784	5,308	1,680
Supplies and Materials	917	917	0
Other Expense	183	0	0
Total Improvement of Instruction	199,725	195,135	5,122
<u>Educational Media Services</u>			
Salaries	14,075	14,125	14,540
Employee Benefits	5,512	5,514	5,321
Supplies and Materials	6,182	6,194	5,344
Total Educational Media Services	25,769	25,833	25,205



ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Educational Television</u>			
Purchased Services	19,993	22,125	23,784
<u>Supervision and Direction</u>			
Salaries	4,192	4,192	4,130
Employee Benefits	1,006	1,006	921
Total Supervision and Direction	5,198	5,198	5,051
<u>General Administration</u>			
<u>Board of Education</u>			
Purchased Services	25,653	24,691	19,993
Supplies and Materials	157	0	279
Other Expenses	2,650	3,003	2,350
Total Board of Education	28,460	27,694	22,622
<u>Executive Administration</u>			
Salaries	102,816	102,994	96,227
Employee Benefits	53,753	53,424	49,160
Purchased Services	742	742	733
Supplies and Materials	820	819	665
Other Expense	798	788	798
Total Executive Administration	158,929	158,767	147,583
<u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	67,363	67,522	66,810
Employee Benefits	25,771	25,656	26,087
Purchased Services	144	1,092	240
Supplies and Materials	1,167	226	2,166
Other Expense	0	0	340
Total Office of the Principal	94,445	94,496	95,643

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Business</u>			
<u>Fiscal Services</u>			
Salaries	35,061	35,060	43,179
Employee Benefits	22,570	22,436	22,483
Purchased Services	4,949	4,005	5,245
Supplies and Materials	1,766	1,766	928
Other Expense	845	826	553
Total Fiscal Services	<u>65,191</u>	<u>64,093</u>	<u>72,388</u>
<u>Other Business Services</u>			
Purchased Services	8,096	8,096	8,517
Other Expense	3,157	2,801	5,027
Total Other Business Services	<u>11,253</u>	<u>10,897</u>	<u>13,544</u>
<u>Operations and Maintenance</u>			
<u>Operating Building Services</u>			
Salaries	64,213	65,012	71,216
Employee Benefits	56,864	56,773	54,345
Purchased Services	138,847	138,744	121,949
Supplies and Materials	6,868	6,863	8,123
Other Expense	0	96	86
Total Operating Building Services	<u>266,792</u>	<u>267,488</u>	<u>255,719</u>
<u>Security Services</u>			
Salaries	0	0	159
Employee Benefits	0	0	35
Purchased Services	0	0	1,140
Supplies and Materials	0	0	50
Total Security Services	<u>0</u>	<u>0</u>	<u>1,384</u>
Total Operations and Maintenance	<u>266,792</u>	<u>267,488</u>	<u>257,103</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Pupil Transportation Services</u>			
Salaries	90,919	91,182	82,917
Employee Benefits	61,779	61,211	53,104
Purchased Services	11,964	11,936	14,331
Supplies and Materials	40,500	41,426	32,893
Capital Outlay	5,495	5,495	0
Other Expense	1,300	1,669	1,223
Total Pupil Transportation Services	<u>211,957</u>	<u>212,919</u>	<u>184,468</u>
<u>Central Services</u>			
<u>Staff/Personnel Services</u>			
Purchased Services	<u>4,869</u>	<u>4,283</u>	<u>756</u>
<u>Support Services Technology</u>			
Salaries	7,380	7,909	7,446
Employee Benefits	1,781	1,793	1,612
Purchased Services	39,047	38,807	31,657
Supplies and Materials	2,676	2,676	5,581
Capital Outlay	6,130	6,130	11,088
Other Expense	500	348	958
Total Support Services Technology	<u>57,514</u>	<u>57,663</u>	<u>58,342</u>
<u>COMMUNITY SERVICES</u>			
<u>Other Community Services</u>			
Purchased Services	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<u>OTHER TRANSACTIONS</u>			
Transfers to Other School Districts			
Special Education	6,825	7,595	6,042
Adjustments of Prior Year Accounts	<u>2,100</u>	<u>0</u>	<u>3,529</u>
Total Other Transactions	<u>8,925</u>	<u>7,595</u>	<u>9,571</u>
Total Expenditures	<u>2,627,042</u>	<u>2,610,794</u>	<u>2,525,295</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING USES</u>			
Transfers Out			
School Service Fund			
Athletic Activities	43,000	43,000	48,000
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ <u>2,670,042</u>	 \$ <u>2,653,794</u>	 \$ <u>2,573,295</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	<u>TOTALS</u>	
			2006	2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 27,136	\$ 25,339	\$ 52,475	\$ 21,386
Accounts Receivable	101	0	101	9
Due from Other Funds	4,052	0	4,052	12,082
Inventory	2,597	0	2,597	2,862
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 33,886	\$ 25,339	\$ 59,225	\$ 36,339
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7	\$ 0	\$ 7	\$ 3,135
Due to Other Funds	0	8,817	8,817	0
Salaries Payable	6,310	0	6,310	7,144
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	6,317	8,817	15,134	10,279
	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>				
Reserved for				
Inventory	2,597	0	2,597	2,862
Unreserved, Undesignated				
Food Service	24,972	0	24,972	14,620
Athletic Activities	0	16,522	16,522	8,578
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	27,569	16,522	44,091	26,060
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,886	\$ 25,339	\$ 59,225	\$ 36,339
	<hr/>	<hr/>	<hr/>	<hr/>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	<u>TOTALS</u>	
			2006	2005
<u>REVENUES</u>				
Local Sources	\$ 59,745	\$ 34,347	\$ 94,092	\$ 85,605
State Sources	7,189	0	7,189	8,180
Federal Sources	54,782	0	54,782	53,191
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	121,716	34,347	156,063	146,976
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>				
Salaries	35,522	41,750	77,272	90,277
Employee Benefits	14,349	10,067	24,416	37,033
Purchased Services	1,174	12,494	13,668	10,323
Supplies and Materials	57,527	1,531	59,058	54,051
Capital Outlay	2,950	919	3,869	2,640
Other Expenses	107	2,642	2,749	2,312
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	111,629	69,403	181,032	196,636
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,087	(35,056)	(24,969)	(49,660)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>				
Transfers In	0	43,000	43,000	48,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	10,087	7,944	18,031	(1,660)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of Year	17,482	8,578	26,060	27,720
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ 27,569	\$ 16,522	\$ 44,091	\$ 26,060
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUND -FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 27,136	\$ 12,808
Accounts Receivable	101	9
Due from Other Funds	4,052	12,082
Inventory	<u>2,597</u>	<u>2,862</u>
 TOTAL ASSETS	 \$ <u>33,886</u>	 \$ <u>27,761</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7	\$ 3,135
Salaries Payable	<u>6,310</u>	<u>7,144</u>
 Total Liabilities	 <u>6,317</u>	 <u>10,279</u>
<u>FUND BALANCE</u>		
Reserved for		
Inventory	2,597	2,862
Unreserved, Undesignated	<u>24,972</u>	<u>14,620</u>
 Total Fund Balance	 <u>27,569</u>	 <u>17,482</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>33,886</u>	 \$ <u>27,761</u>

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUND-FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 772	\$ 807	\$ 586
Food Sales			
Pupils	23,500	24,326	25,065
Adults	3,100	3,130	3,736
Ala Carte	23,381	23,381	24,158
Breakfast	3,500	3,500	4,561
Preschool	1,691	1,787	1,654
Milk	2,000	2,000	2,332
Miscellaneous	778	814	2,146
State Sources			
State Aid	7,429	7,189	8,180
Federal Sources			
Federal Aid			
Lunches	34,512	34,512	33,492
Breakfast	12,287	12,287	11,332
Snacks	0	0	365
U.S.D.A. Donated Commodities			
Entitlement	8,500	7,305	6,972
Bonus	500	678	1,030
Total Revenues	<u>121,950</u>	<u>121,716</u>	<u>125,609</u>
<u>EXPENDITURES</u>			
Salaries	35,863	35,522	46,526
Employee Benefits	14,510	14,349	27,132
Purchased Services	1,200	1,174	565
Supplies and Materials	57,313	57,527	53,497
Capital Outlay	2,950	2,950	1,041
Other Expenses	107	107	248
Total Expenditures	<u>111,943</u>	<u>111,629</u>	<u>129,009</u>
Net Change in Fund Balance	10,007	10,087	(3,400)
FUND BALANCE - Beginning of Year	<u>17,482</u>	<u>17,482</u>	<u>20,882</u>
FUND BALANCE - End of Year	\$ <u>27,489</u>	\$ <u>27,569</u>	\$ <u>17,482</u>



ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUND - ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>25,339</u>	\$ <u>8,578</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to General Fund	\$ 8,817	\$ 0
<u>FUND BALANCE</u>		
Unreserved, Undesignated	<u>16,522</u>	<u>8,578</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>25,339</u>	\$ <u>8,578</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUND - ATHLETIC ACTIVITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Sales	\$ 219	\$ 219	\$ 109
Admissions	16,789	16,889	14,784
Season Tickets	1,100	1,100	1,213
Tournaments	4,845	4,845	1,418
Donations			
Engadine Athletic Boosters	3,700	3,700	2,638
Other	733	733	105
Facility Rental	0	0	1,100
Dues and Fees	6,209	6,209	0
Miscellaneous	653	652	0
Total Revenues	34,248	34,347	21,367
<u>EXPENDITURES</u>			
Salaries	42,837	41,750	43,751
Employee Benefits	10,377	10,067	9,901
Purchased Services	12,953	12,494	9,758
Supplies and Materials	1,492	1,531	554
Capital Outlay	919	919	1,599
Other Expenses	2,452	2,642	2,064
Total Expenditures	71,030	69,403	67,627
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(36,782)	(35,056)	(46,260)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In - General Fund	43,000	43,000	48,000
Net Change in Fund Balance	6,218	7,944	1,740
FUND BALANCE - Beginning of Year	8,578	8,578	6,838
FUND BALANCE - End of Year	\$ 14,796	\$ 16,522	\$ 8,578

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

2003 DEBT RETIREMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 28,188	\$ 33,256
Taxes Receivable	<u>1,824</u>	<u>1,883</u>
 TOTAL ASSETS	 <u>\$ 30,012</u>	 <u>\$ 35,139</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	<u>\$ 1,824</u>	<u>\$ 1,883</u>
 <u>FUND BALANCE</u>		
Reserved for Debt Retirement	<u>28,188</u>	<u>33,256</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 30,012</u>	 <u>\$ 35,139</u>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

2003 DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes		
Current Year Levy	\$ 166,185	\$ 153,832
Prior Years	526	2,147
Payments in Lieu of Taxes		
Commercial Forest	1,518	2,502
Earnings on Investments and Deposits	1,291	1,519
	<hr/>	<hr/>
Total Revenues	169,520	160,000
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Redemption of Serial Bonds	125,000	120,000
Interest on Debt	48,850	51,250
Paying Agent Fees and Other	650	1,325
Taxes Abated and Written Off	88	1,783
	<hr/>	<hr/>
Total Expenditures	174,588	174,358
	<hr/>	<hr/>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(5,068)	(14,358)
	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In		
2003 School Bus Debt Retirement Fund	0	2,696
2003 Capital Projects Fund	0	278
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0	2,974
	<hr/>	<hr/>
Net Change in Fund Balance	(5,068)	(11,384)
	<hr/>	<hr/>
FUND BALANCE - Beginning of Year	33,256	44,640
	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ 28,188	\$ 33,256
	<hr/> <hr/>	<hr/> <hr/>

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2006

<u>PRIVATE PURPOSE TRUST FUNDS</u>					
	FRED AND PAULINE LEHNERTZ SCHOLARSHIP	ERNEST D. AND VIDES KING SCHOLARSHIP	ROSS H. FREEMAN MEMORIAL	MARC CARLSON SCHOLARSHIP	TOTALS 2006
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 70,026	\$ 0	\$ 50,542	\$ 889	\$ 121,457
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>NET ASSETS</u>					
Reserved for					
Endowments	68,607	0	50,000	0	118,607
Scholarships	1,419	0	542	0	1,961
Unreserved	0	0	0	889	889
Total NetAssets	70,026	0	50,542	889	121,457
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 70,026	\$ 0	\$ 50,542	\$ 889	\$ 121,457

ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND

YEAR ENDED JUNE 30, 2006

	<u>PRIVATE PURPOSE TRUST FUNDS</u>				<u>TOTALS</u> <u>2006</u>
	<u>FRED AND PAULINE LEHNERTZ SCHOLARSHIP</u>	<u>ERNEST D. AND VIDES KING SCHOLARSHIP</u>	<u>ROSS H. FREEMAN MEMORIAL</u>	<u>MARC CARLSON SCHOLARSHIP</u>	
<u>ADDITIONS</u>					
Earnings on Investments	\$ 1,919	\$ 954	\$ 889	\$ 20	\$ 3,782
<u>DEDUCTIONS</u>					
Payment of Scholarships	1,000	900	800	400	3,100
Payment to Foundation	0	34,961	0	0	34,961
Total Deductions	1,000	35,861	800	400	38,061
Changes in Net Assets	919	(34,907)	89	(380)	(34,279)
NET ASSETS - Beginning of Year	69,107	34,907	50,453	1,269	155,736
NET ASSETS - End of Year	\$ 70,026	\$ 0	\$ 50,542	\$ 889	\$ 121,457

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/01/2005	(Including Transfers)		6/30/2006
Annual	\$ 3,148	\$ 5,917	5,083	\$ 3,982
Athletic Boosters Club	11,325	57,358	47,862	20,821
Athletic Complex Fund	654	1,520	2,174	0
Band Boosters	5,616	18,985	20,740	3,861
Mr. Moore Science	(38)	332	143	151
Class of 2005	114	0	114	0
Class of 2006	3,090	9,196	10,722	1,564
Class of 2007	2,430	5,604	3,811	4,223
Class of 2008	2,375	951	97	3,229
Class of 2009	449	294	56	687
Class of 2010	323	4,250	3,429	1,144
Class of 2011	213	105	0	318
Class of 2012	425	5,587	5,579	433
Class of 2013	0	1,299	792	507
General Elementary	844	3,394	3,597	641
General Fund	391	518	810	99
Industrial Arts	0	100	0	100
Library	4,823	3,380	3,343	4,860
Sales Tax	0	1,701	1,502	199
School Paper	280	0	0	280
Senior Class Play	529	732	337	924
Senior Graduation Party	1,479	5,681	6,189	971
Students Against Drunk Driving	146	0	0	146
Graduation Money	90	1,400	827	663
Student Council	1,907	3,431	4,428	910
Substance Abuse	1,375	0	250	1,125
	\$ 41,988	\$ 131,735	\$ 121,885	\$ 51,838

Represented by:

Assets:

Cash and Cash Equivalents	\$ <u>41,988</u>	\$ <u>51,838</u>
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Liabilities:

Due to Groups and Organizations	\$ <u>41,988</u>	\$ <u>51,838</u>
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ENGADINE CONSOLIDATED SCHOOLS  
ENGADINE, MICHIGAN

SCHEDULE OF 2005 TAX ROLL  
YEAR ENDED JUNE 30, 2006

	TAXABLE VALUATION		TAXES ASSESSED		TAXES COLLECTED		TAXES RETURNED DELINQUENT
<u>GENERAL FUND ( 18.00 MILLS)</u>							
Garfield Township	49,237,140	\$	885,986	\$	819,164	\$	66,822
Newton Township	26,138,587		470,970		438,018		32,952
Hendricks Township	5,759,539		103,670		98,317		5,353
Hudson Township	11,850,391		213,306		194,811		18,495
Portage Township	607,552		10,936		6,828		4,108
	93,593,209		1,684,868		1,557,138		127,730
<u>2003 DEBT RETIREMENT FUND ( 1.30 MILLS)</u>							
Garfield Township	70,078,051		91,068		83,602		7,466
Newton Township	34,078,938		44,297		39,169		5,128
Hendricks Township	7,380,896		9,593		8,844		749
Hudson Township	15,039,357		19,549		17,906		1,643
Portage Township	1,291,082		1,678		1,224		454
	127,868,324	\$	166,185	\$	150,745	\$	15,440



ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS

JUNE 30,

	<u>2006</u> <u>AMOUNT</u>	<u>2005</u> <u>AMOUNT</u>
<u>GOVERNMENT WIDE</u>		
<u>GENERAL FUND</u>		
State Savings Bank		
Investment Account	\$ 116,529	\$ 216,160
First National Bank of St. Ignace		
Checking Accounts	25,318	32,795
Investment Account	341,962	339,442
Tahquamenon Area Credit Union		
Investment Account	2,432	2,415
Petty Cash	100	100
	<u>486,341</u>	<u>590,912</u>
<u>SPECIAL REVENUE FUNDS</u>		
Food Service		
First National Bank of St. Ignace		
Checking Account	2,072	309
Investment Account	25,064	12,499
Athletic Activities		
Tahquamenon Area Credit Union		
Checking Account	25,339	8,578
	<u>52,475</u>	<u>21,386</u>
<u>DEBT RETIREMENT FUND</u>		
State Savings Bank		
Investment Account	28,188	33,256
 Total Government Wide	 <u>567,004</u>	 <u>645,554</u>
<u>FIDUCIARY</u>		
State Savings Bank		
Certificates of Deposit	6,486	41,231
First National Bank of St. Ignace		
Certificates of Deposit	123,564	122,884
Tahquamenon Area Credit Union		
Checking Account	41,224	28,552
Certificates of Deposit	2,021	5,057
 Total Fiduciary	 \$ <u>173,295</u>	 \$ <u>197,724</u>

ENGADINE CONSOLIDATED SCHOOLSENGADINE, MICHIGANSCHEDULE OF BONDS PAYABLEJUNE 30, 2006

<u>TITLE OF ISSUE</u>	2003 Refunding Bonds
<u>PURPOSE</u>	The Bonds are being issued for the purpose of advance refunding a portion of the school District's outstanding 1995 School Building and Site Bonds dated May 1, 1995, which are due and payable May 1, 2004 through May 1, 2015.
<u>DATE OF ISSUE</u>	September 29, 2003
<u>INTEREST PAYABLE</u>	May 1, and November 1, of Each Year
<u>AMOUNT OF ISSUE</u>	\$ 1,610,000
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 125,000
Prior Years	<u>155,000</u>
	<u>280,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2006 \$ <u><u>1,330,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2006		\$ 23,175	\$ 23,175	\$ 0
May 1, 2007	2.30%	153,175	23,175	130,000
November 1, 2007		21,680	21,680	0
May 1, 2008	2.70%	151,680	21,680	130,000
November 1, 2008		19,925	19,925	0
May 1, 2009	3.00%	159,925	19,925	140,000
November 1, 2009		17,825	17,825	
May 1, 2010	3.40%	162,825	17,825	145,000
November 1, 2010		15,360	15,360	
May 1, 2011	3.65%	165,360	15,360	150,000
November 1, 2011		12,623	12,623	
May 1, 2012	3.80%	167,622	12,622	155,000
November 1, 2012		9,678	9,678	
May 1, 2013	4.00%	169,677	9,677	160,000
November 1, 2013		6,478	6,478	
May 1, 2014	4.00%	171,477	6,477	165,000
November 1, 2014		3,178	3,178	
May 1, 2015	4.10%	158,177	3,177	155,000
		<u>\$ 1,589,840</u>	<u>\$ 259,840</u>	<u>\$ 1,330,000</u>

ENGADINE CONSOLIDATED SCHOOLS

ENGADINE, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2006

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2014, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2013, at par plus accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The resolution authorizing issuance of the Bonds and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections therefrom together with amounts, if any, to be borrowed from the School Bond Loan Fund, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes for the next year or could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal of or interest on any Bond is not paid when due or upon proper presentation of the Bond or interest coupon to the agent or officer charged with making payment thereof (irrespective of whether an application by the School District to the State for a loan to pay such principal or interest has been made or approved), the State Treasurer shall forthwith pay such principal or interest upon presentation of the Bond or coupon to him. If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment. Any amount so paid by the State Treasurer shall be deemed a loan made to the School District pursuant to the requirements of Article IX, Section 16 of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the owners of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

August 2, 2006

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Engadine Consolidated Schools  
Engadine, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2006, which collectively comprise the Engadine Consolidated School's basic financial statements and have issued our report thereon dated August 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Engadine Consolidated School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect Engadine Consolidated School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties and have taken measures of management oversight to help compensate for this limitation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Engadine Consolidated School' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that reported to the management of Engadine Consolidated School in a separate letter dated August 2, 2006.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

August 2, 2006

Board of Education  
Engadine Consolidated Schools  
Engadine, Michigan

Dear Members of the Board and Administrators:

We have completed our audit of the financial statements of the Engadine Consolidated Schools as of and for the fiscal year ended June 30, 2006, and we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the School District:

## Financial Information Database (FID)

The State of Michigan's Financial Information Database (FID) System has replaced the Form B report by requiring District's to submit their financial information electronically to the State using the State's new Chart of Accounts. The school is responsible for ensuring its' compliance with the State's new Chart of Accounts. The State has indicated it will accept FID transmittals using the State Chart through Change Notice Number 12 or 13 (School's choice).

## Changes to Employer 403(b) Plans

The Internal Revenue Service recently issued new regulations under Internal Revenue Code Section 403(b) which contains a series of provisions that will need to be a source of consideration for the District since it currently participates in allowing employees the option to defer a portion of their salaries and wages annually. These new regulations are effective January 1, 2007.

These new proposed regulations contain significant changes in the manner in which 403(b) Plans are administered and mandate additional requirements for the school district to implement if the 403(b) Plan is to qualify under the new IRS regulations. These new regulations place direct accountability on the school district for the program and give the district the discretion and authority to choose the benefit options of the plan.

## **Plan Document Required**

The new regulations will now require a formal written plan document. This plan document must include all material provisions regarding eligibility, benefits, applicable contribution limits, a description of available contracts provided under the plan, loan procedures and provisions, hardship distributions and the time and form of any other distribution to be made from the plan as well as any other terms and conditions applicable to the plan.

**Investment Options**

All contracts (i.e. annuities) and custodial accounts (i.e. mutual funds) available under the plan must be described within the plan. School Districts will be required to maintain a current list of all providers authorized to provide products to employees as part of the plan. Thus, the District controls the authorization process.

**Meaningful Notice of the Plan**

The regulations require employers to give their employees "meaningful notice" of their rights to participate in a 403(b) program and must provide an effective opportunity to make or to change an elective deferral election.

**Deposit Requirements**

The proposed regulations establish requirements that employers must transmit the employee's salary reduction contributions as soon as practicable but no later than the 15th business day of the month following the date on which the amounts would have been paid to the employee.

These are just a few of requirements set forth under this new regulation. We recommend that the District become aware of the provisions under these regulations as you work on implementing or modifying your current plan document so that you can be in compliance when they become effective.

**Budgeting**

The District currently does an excellent job formulating and monitoring the annual budget function. The Michigan Department of Education is working towards various policy adjustments in regards to budget violations and are considering retroactive implementation of these policies to the 2004-2005 and the 2005-2006 fiscal years.

Specifically, the Department will be focusing on a couple of significant areas as it relates to the General Fund.

1. Total Expenditure violations that exceed 1% of the Total Expenditures budget.
2. Total Other Financing Uses violations that exceed 1% of the Total Other Financing Uses budget.

A budget violation would include incurring expenditures in excess of the approved appropriation, ending the fiscal year with a deficit fund balance or adopting a budget that would result in a deficit fund balance.

The Department is also considering that a violation for the 2005-2006 fiscal year may also include a situation where the District did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved.

These proposed policy adjustments will place a renewed importance on the need to monitor the budget process very closely.

We recommend the District review the 2006-2007 budget to make sure that actual revenues will be greater than budgeted revenues, that actual expenditures by function will not be greater than appropriated and that a negative fund balance is not budgeted.

In addition, the conference agreement relative to the 2006-2007 state school aid act reached July 12, 2006 includes a provision that will require the District to begin posting the annual operating budget as well subsequent budget amendments on the website for the District. It is expected that this requirement will become effective October 1, 2006. As a result, the District should begin preparing to meet this new requirement.

#### Condition of Accounting Records

The accounting records presented for our examination were found to be in excellent condition. We commend and appreciate the efforts of the business administrator for a job well done.

We sincerely thank the Board for awarding this firm the audit assignment of the District, and the administration and staff for their cooperative spirit and assistance in helping us fulfill this audit engagement. The friendly, cooperative and enthusiastic response to our requests for data, facts and figures is very much appreciated and enhances the efficiency of the audit process. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*